



**Montana
Office of Public Instruction**
Denise Juneau, State Superintendent

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DATE: August 2014

TO: Auditors of Montana School Districts

FROM: Steve Hamel

RE: School District Audits for FY2013 - 2014

This letter is intended to provide new information and updates regarding issues that affect Montana school district audits for the fiscal year ended June 30, 2014. The information provided was drawn from the review of FY2013 audits, the FY2013 Trustees Financial Summary (TFS) and the 2013 Montana Legislative session. Throughout this letter are hyperlinks to related web pages. Click the blue words to follow the links.

Enclosed: Appendix A - Enrollment/ANB Schedule

Request for Information – Standard Audit Contract

Requests for information pertaining to potential financial or legal compliance issues relating to a school district or cooperative can be sent to: Debbie Casey, OPI, P.O. Box 202501, Helena, MT 59620-2501 or fax requests to (406) 444-0509. Email requests may be sent to dcasey@mt.gov. Please allow two weeks for a response. If requesting information regarding multiple entities, list the districts/cooperatives by county to expedite the turnaround of information.

Submission of Audit Reports to OPI

A copy of the audit report is required to be sent to the OPI per MCA 2-7-503, regardless of the level of the audit performed. **Audits are now being accepted via e-mail.** Send your pdf version of the audit reports to Steve Hamel at shamel@mt.gov. Continue to send information to the Department of Administration in the format that they request.

School Finance Division Website

The OPI School Finance Division website includes pages pertaining to [auditor information](#) (use hyperlink, then click Auditing tab, then Info for Auditors tab and [entitlement payments](#) (use hyperlink, then click “Entitlement Payments” tab). Included on the Info for Auditors page are TFS Reports, Enrollment Reports, and the Value of Donated Commodities by Fiscal Year.

2013 LEGISLATIVE SESSION

The OPI has provided a K-12 [Legislative](#) Summary which entails information pertinent to school districts for FY's 2013 and 2014.

Improvements for School Safety and Security

Senate Bill 348 provides the ability for a school to transfer state or local monies from any fund, except the Retirement and Debt Service funds, into the Building Reserve fund, in an amount not to exceed the school district's estimated costs of improvements to school safety and security. The law went into effect on April 30, 2013.

Transfers are not considered expenditures to be applied against the budget authority of the fund from which the transfers are made. However, districts must have budget authority available in their building reserve funds to legally spend the transferred funds.

In fiscal years 2013 through 2015, districts may transfer and spend monies for this purpose until June 30, 2015 at which time unencumbered or unspent funds must be transferred back to the originating funds.

[School Safety Accounting Guidance](#) Click this link for accounting guidance and more detailed information on SB 348, School Safety Improvements.

Ending Fund Balance Limits:

The effective date for [MCA 20-9-323](#), which limits the Flexibility Fund Balance to 159% of the general fund budget, was extended by SB175 from July 1, 2013 to July 1, 2020.

Bidding Requirements

SB 77 increased the bidding requirement for public entities to \$80,000. **This change was effective March 28, 2013.**

Permissive Tuition Levy

SB 191 added a provision to 20-5-324, MCA allowing districts to include in its tuition levy the full cost of a free and appropriate public education for an in-district student with disabilities under the provision of an IEP. The amount authorized for the levy is limited to the total cost of the student's education, minus the student's state special education payment, the student's federal special education payment, the student's per ANB amount, the prorated portion of the district's basic entitlement, and the prorated portion of the district's general fund payments 20-9-327 through 20-9-330. To assist districts with calculation of their levy, the OPI has created a spreadsheet for districts to enter their total cost. The spreadsheet deducts the requirements of legislation and generates a levy amount.

For the spreadsheet to work correctly, districts must enter their LE number, find the corresponding column relating to their LE level and enter the total cost into the row matching the student's grade level. Districts may choose to recoup their actual cost for the prior year, the estimated cost for the current year, or both (may only do both if they did not levy in the prior year, or if the amount levied in the prior year was not sufficient to cover the actual cost).

If the district used an estimate for cost in the current year and either the student left mid-year or the estimated cost did not materialize, they must re-calculate the actual cost, enter the new amount in the spreadsheet, and adjust the levy amount accordingly in the next fiscal year.

The spreadsheet includes both the calculator and instructions for use. It may be found in two places on the [OPI School Finance webpage](#), under Budgets, Budgeting Spreadsheets/Worksheets, In-District Special Education Permissive Levy Calculator or in Tuition/Attendance, In-District Special Education Permissive Levy Calculator.

The OPI has provided the districts with guidance and training on the use of the calculator and the provisions contained in SB 191. Specifically, the OPI has instructed districts that the language in the bill directs districts to use this calculation on a per-student basis, rather than an aggregate of special education costs, that districts should keep a separate calculation for each student, that districts should use a unique project reporter code to track expenditures from both the Tuition and other budgeted fund, that the levy should only be used for regularly enrolled students in grades K-12 (not PK students, as the language of the bill revolves around ANB – which is not paid for PK students). Further, any student claimed under this provision must be a resident student (students attending under an attendance agreement are not eligible.).

CONTINUING LEGISLATION:

Multi-District Agreements: The following link provides guidance to the rules and regulations of Multi-District Agreements through June 30, 2013.

<http://www.opi.mt.gov/pdf/SchoolFinance/Acct/MultidistrictAgreementsFAQ.pdf>

PUPIL TRANSPORTATION AND REPORTING

Payroll Charges

Many schools charge a portion of the superintendent's and clerk's salary and benefits to the Transportation fund. Please audit whether the portion of an administrator's payroll costs charged to the Transportation fund are reasonable. The portion of the person's time spent on transportation issues should approximate the portion of the person's salary charged to the Transportation fund—See ARM 10.10.303 (APPENDIX E). We have indications the percentages of administrator's salaries charged to the Transportation fund are as high as 20%, even when very little or no time is spent on transportation issues. Motivation is very high to move costs inappropriately to funds to escape the General fund "caps."

Vehicle Purchases in the Transportation Fund

Please verify that the Transportation fund purchased only yellow school buses that are used on school bus routes. Activities and athletics buses and non-bus vehicles cannot be purchased from the Transportation fund. **Replacement** buses for activities and athletics may be purchased using the Bus Depreciation fund. The Transportation fund may not be used to purchase drivers' education cars or vehicles intended to be used for employee travel. The Drivers' Education fund or General fund may purchase a drivers' education car.

Transportation for Special Education Services

A school district may not claim state and county transportation reimbursement for the district's or cooperative's conveyance of students to and from alternative sites, buildings or other locations where services or programs are offered during the school day, such as partial-day special education services provided by a cooperative or classes at different buildings of the school district or community. Pursuant to [20-10-145](#), MCA, school districts may claim state and county transportation reimbursement for the conveyance of a student from their residence to and from the location of the student's center based day program for the school day, such as a day treatment program or special education preschool program that is operated by a cooperative or district interlocal agreement. ARM 10.7.112

Transportation Changes in Bus Routes

When the board of trustees changes the mileage per day, or if a different school bus is used on the route, or a change in bus driver, the trustees must enter an amended TR-1 bus route form. The effective date of change must be recorded, and submit it first to the county transportation committee for approval, then must be submitted electronically to the Office of Public Instruction. In addition, a hard copy of each form must be signed by the board chair and submitted to the county superintendent. A copy of the signed claim form must be maintained at the district. Please verify bus route forms and individual contract forms are signed by the board chair and maintained at the district.

Transportation Reimbursement Claims

School districts must send a hard copy of each claim form signed by the board chair and submitted to the county superintendent. A copy of the signed claim form must be maintained at the district. Please verify that bus route claims and individual contract claims are signed by the board chair and maintained at the district.

Activities, Athletics, and Employee Travel

Costs of providing activities and athletic trips travel costs for employees are NOT allowable expenditures to the transportation fund. Again, shrinking budgets in general funds cause motivation to move these costs to other funds. We request your increased audit scrutiny.

Mandatory 10 Hours of Bus Driver Training

Each district is required to create and implement a driver training program that meets the needs of the district and bus drivers. A program must be provided that includes 10 hours of in-service training that shall include, but not limited to: Pre and post trip inspections, passenger boarding and de-boarding procedures, driving skills, defense driving, railroad safety, passenger management, safety and emergency procedures, and special needs sensitivity and awareness. Each training opportunity for every driver must be documented and maintained by the district. A training schedule must be set per fiscal year or school year, but not both

Valid Bus Driver Credentials

As per MCA, 20-10-103 in order for school districts to receive state and county transportation reimbursement, they are required to have on file a valid CDL, signed First Aid card by an authorized instructor, and a valid Medical Certificate for every bus driver assigned to their district. In addition, a signed copy of their state certification (TR-35) must be signed and sent to the county superintendent. A copy of the signed certificate must be maintained at the district. If these documents are not on file, the district risks forfeiting their state and county transportation reimbursement.

Impact Aid Program Audit Findings

The United States Department of Education has issued a memo to provide [additional guidance](#) on the exemption from OMB Circulars A-87 and the A-102 Common Rule for the Impact Aid Program.

Review of prior years' Trustees Financial Summaries has brought to our attention that districts may not be properly recording payment vouchers to the correct LE (may credit the elementary payment to the high school or vice-versa). Please match Impact Aid revenue to payment vouchers for each LE.

Student Count for ANB – Reporting Procedures

Beginning in the 2013-14 school year, districts are required to report enrollment three times: The first Monday in October, the first Monday in December and the first Monday in February. The data is imported into MAEFAIRS from the Achievement in Montana (AIM) system. MAEFAIRS imports the minimum enrollment information necessary to determine a school district's Average Number Belonging (ANB). For information regarding enrollment and ANB see the letter located on the OPI website at the following link: http://opi.mt.gov/pdf/SchoolFinance/Enrollment/ANB_Info.pdf . Contact Nica Meralo at nmerala@mt.gov or (406) 444-4401.

Achievement in Montana (AIM)

Please take into account the following information when checking enrollment:

1. Review student enrollments where enrollment end date falls close to the count date. Once a district receives notice that a student has transferred, the enrollment end date should be set to the date the student was last present in the district. If the district has not received notice that a student has transferred, they should continue the enrollment per district policy (usually carry for 10 days) and then end date the enrollment record.
2. The district must have an agreement with the MT Youth ChalleNge Academy and/or Job Corps program for students that are being counted for ANB. The credits these students are taking must meet the district's requirements for graduation at a school in the district and they must be reported by the Job Corps or MT Youth ChalleNge Academy to the student's resident district. The district should have this documentation. For more information, see § 20-9-707 and § 20-9-311(12), MCA.
3. Verify district records for students identified as less than full time (aggregate hours not equal to F). The district should have documentation or schedules indicating how many classes a student is taking and that these hours calculate to the appropriate aggregate hours.
4. Students taking MT Digital Academy (MTDA) courses should be enrolled for aggregate hours that correspond to an equivalent district course. For example, if a district has periods of 60 minutes (1 hour) for 180 days, one MTDA course would be equivalent to 180 hours (quarter-time) enrollment.

If you have any questions regarding [AIM](#) please call the AIM Help Desk at 1-877-424-6681 or e-mail opiainhelp@mt.gov.

State Tuition for State Placement Payment –Compliance with MCA

Review of the FY2012 TFS indicates that districts receiving the State Tuition for State Placement monies (revenue code 3117) may not be in compliance with [20-5-324](#) 6(a) through (6)(d). Verify that districts are receipting these funds correctly.

In accordance with ARM 10.20.106, students in day treatment programs or at county or regional detention facilities may **not** be counted for ANB. Districts with students in day treatment programs may use the district

School District Audits for **FY2013-14 Continued**

tuition fund for education services and claim an ANB reimbursement under [20-5-324, MCA](#), using the FP-15. Districts are not reimbursed for the expense of students in county or regional detention facilities, but may use the Tuition fund for detention center educational services charged pursuant to [41-5-1807, MCA](#). For questions contact Nicole Thuotte at (406)-444-4524 or nthuotte@mt.gov.

Excess Reserve Changes

Please see the individual Montana school district budget report, page 3, for Excess Reserves information. The budget reports are posted on the OPI website -- [BUDGETS](#)

Appendix A

Supplemental Schedule

<u>Fall Enrollment-El District</u>	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
a) Kindergarten Part	111	111	0
b) Kindergarten Full	309	309	0
c) Grades 1-6	2,280	2,281	+1
d) Grades 7-8	786	784	-2

<u>Part-time Students</u>	<u>Per Enrollment Reports</u>				<u>Per District Records</u>				<u>Difference</u>
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
K-Part	0	0	N/A	N/A	0	0	N/A	N/A	0
K-Full	0	0	0	0	0	0	0	0	0
1-6	0	0	0	1	0	0	0	1	0
7-8	1	2	0	0	1	2	0	0	0

<u>Fall Enrollment-HS District</u>	<u>Reports</u>	<u>District Records</u>	<u>Difference</u>
a) Grades 9-12	1,193	1,194	+1
b) 19-year olds Included	4	4	0
c) Youth Challenge	2	2	0
d)			

<u>Part-time Students</u>	<u>Per Enrollment Reports</u>				<u>Per district Records</u>				<u>Difference</u>
Grade	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	<180 hrs/yr	180-359 hrs/yr	360-539 hrs/yr	540-719 hrs/yr	
9-12	1	2	4	12	1	2	4	12	0

This documentation must be provided for fall, winter and spring counts. In addition to this information, high school districts should also be reviewed for early graduates in the winter and spring counts.